



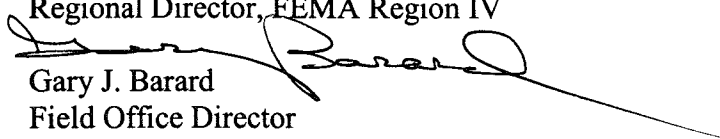
## DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General  
Atlanta Field Office – Audit Division  
3003 Chamblee Tucker Rd  
Atlanta, GA 30341

April 18, 2003

### MEMORANDUM

TO: Kenneth O. Burris, Jr.  
Regional Director, FEMA Region IV

FROM:   
Gary J. Barard  
Field Office Director

SUBJECT: City of Durham, North Carolina  
FEMA Disaster No. 1134-DR-NC  
Audit Report No. DA-05-03

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The Office of Inspector General (OIG) audited public assistance funds awarded to the City of Durham, North Carolina. The objective of the audit was to determine whether the City accounted for and expended FEMA funds according to federal regulations and FEMA guidelines.

The City received an award of \$1,906,732 from the North Carolina Division of Emergency Management, a FEMA grantee, to remove debris, provide emergency protective measures, and repair facilities damaged as a result of Hurricane Fran in September 1996. The award provided 90 percent funding for 5 large and 77 small projects<sup>1</sup>.

The audit covered the period September 1996 to June 2002. During this period, the City claimed \$1,906,732 (see Exhibit) and received \$1,716,059 of FEMA funds under the 5 large and 77 small projects.

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted governmental auditing standards. The audit included tests of the City's accounting records, a judgmental sample of expenditures, and other auditing procedures considered necessary under the circumstances.

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<sup>1</sup> According to FEMA regulations, a large project costs \$44,800 or more and small project costs less than \$44,800.

## RESULTS OF AUDIT

The City's claim included questioned costs of \$142,825 (FEMA share \$128,543) resulting from damages covered by insurance and duplicate funding.

A. Insurance Proceeds. Contrary to the Stafford Act, the City's claim under several projects included \$102,315 of repairs that were covered by insurance. Therefore, the OIG questions these charges.

The City claimed \$144,542 under large Project 03153 for repairing a boat dock at the Lake Mickie Reservoir and Recreational Area. The City also received \$79,963 in insurance proceeds for the same repairs. However, these proceeds were not credited to the project.

A similar condition existed under six small projects, for which the City claimed \$24,699 of expenditures for replacing fences and repairing facilities. The City received \$22,352 of insurance proceeds for the same work, but failed to apply these proceeds to the small projects.

B. Duplicate Funding. The City claimed \$40,510 of the same debris removal cost under both large and small projects. Accordingly, the OIG questions these duplicate charges.

Large Project 32639 provided for the removal of debris from streets on a citywide basis, while small Project 31098 provided for the removal of debris at specific City street addresses. The City's claim under the large project included the cost of debris removal at all affected street addresses, including those contained under the small project. Therefore, the award of \$39,407 under small Project 31098 duplicated the funding provided and claimed under the large project.

Similarly, large Project 31900 provided for debris removal at City parks, while small Project 31201 funded debris removal at Elimira Avenue Park. The City's claim under the large project included the cost of debris removal at all affected City parks, including Elimira Avenue Park. Thus, the award of \$1,103 under small Project 31201 duplicated the funding provided and claimed under the large project.

## RECOMMENDATION

The OIG recommends that the Regional Director, in coordination with the grantee, disallow the \$142,825 of questioned costs.

### DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOWUP

The results of the audit were discussed with grantee and City officials on April 8, 2003. City officials concurred with the findings.

Pursuant to FEMA instruction 1270.1, please advise the Atlanta Field Office–Audit Division by June 16, 2003, of the actions taken to implement the OIG recommendation. Should you have any questions concerning this report, please contact George Peoples or me at (770) 220-5242.

City of Durham, North Carolina  
FEMA Disaster No. 1134-DR-NC  
Schedule of Claimed and Questioned Costs

Large Projects

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Amount Claimed</u>	<u>Amount Questioned</u>	<u>Reason For Questioning Cost</u>
31900	\$86,922	86,922		
32322	145,678	145,678		
32639	912,800	912,800		
32628	203,581	203,581		
03153	<u>144,542</u>	<u>144,542</u>	<u>79,963</u>	(See Finding A)
Sub-Total	\$1,493,523	\$1,493,523	\$79,963	

Small Projects

29507	\$5,389	\$5,389	\$5,389	(See Finding A)
29548	9,116	9,116	7,923	(See Finding A)
04708	5,382	5,382	5,071	(See Finding A)
29545	1,553	1,553	1,553	(See Finding A)
32380	2,239	2,239	1,396	(See Finding A)
29523	1,020	1,020	1,020	(See Finding A)
31098	39,407	39,407	39,407	(See Finding B)
31201	1,103	1,103	1,103	(See Finding B)
All other	<u>348,000</u>	<u>348,000</u>	<u>0</u>	
Sub-Total	<u>413,209</u>	<u>413,209</u>	<u>62,862</u>	
Total	<u>\$1,906,732</u>	<u>\$1,906,732</u>	<u>\$142,825</u>	